

## Message Text

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ACTION OES-04

INFO OCT-01 EA-06 ISO-00 FEA-01 ACDA-05 CIAE-00 INR-07

IO-10 L-02 NSAE-00 NSC-05 DODE-00 PM-03 H-01 PA-01

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ERDA GERMANTOWN

C O N F I D E N T I A L TOKYO 2366

E.O. 11652: N/A

TAGS: TECH, JA

SUBJECT: URANIUM ENRICHMENT - SOVIET VISIT TO JAPAN: NPT

REF: CONFIDENTIAL STATE 036558

1. SUMMARY. RECENT VISIT SOVIET EXIM EXECUTIVES FOLLOW-UP TO PREVIOUS VISIT SOVIET STATE COMM. FOR ATOMIC ENERGY JAN. 1974 AND JAPANESE AIF VISIT JUNE 1973 TO USSR. OBJECT OF SOVIETS TO BEGIN NEGOTIATIONS AIMED AT CONTRACTS FOR SUPPLYING ENRICHED URANIUM TO JAPAN.

2. A. MR. E. P. BELCHIKOV, PRESIDENT SOVIET TECHNICAL EXPORT AND IMPORT CORPORATION AND MR. D.S. TARABANOV, DIVISION DIRECTOR IN EXIM CORP. VISITED JAPAN FROM JAN. 28 THRU FEB. 7. UNDERSTOOD THAT SOVIETS REQUESTED JAIF INVITATION. MET WITH DEPUTY JAEC CHAIRMAN INOUE AEB DIRGEN IKUTA, TEPCO VP TANAKA, TEPCO DIRECTOR NOMURA, TEPCO NUCLEAR FUEL MANAGER FUKUDA, JAIF SEC GEN MORI, KEPCO VIP ITO AND OTHER MEMBERS JAIF.

B. NEWSPAPER ACCOUNTS INDICATING THAT BOLCHIKOV DESIRED SIGNED CONTRACT BEFORE FEB. 7 INCORRECT ACCORDING TO JAIF SOURCE. REPORTED THAT BOTH PARTIES LOOKED UPON VISIT AS EXPLORATORY ATTEMPT BETWEEN USSR COMMERCIAL ORGANIZATIONS  
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AND JAPAN UTILITY EXECUTIVES TO IDENTIFY MUTUALLY AGREEABLE

TERMS AND CONDITIONS. NEWS STORIES ALSO INDICATED STA'S INTENTION TO BEGIN NEGOTIATION. SOURCE STATED STA'S POSITION SIMPLY THAT ARRANGEMENT WITH USSR A POSSIBLE AVENUE TO DEVELOP IN DIVERSIFYING JAPAN'S SOURCES OF SUPPLY.

3. TERMS. BOCHIKOV MADE NO FORMAL DETAILED OFFER BUT INDICATED:

- A. SOVIETS WOULD GUARANTEE SUPPLY ENRICHMENT SERVICES (AMOUNT NOT SPECIFIED) FOR 25 YEARS.
- B. IAEA SAFEGUARDS WOULD BE APPLICABLE.
- C. THE CONTRACT FORM WOULD BE SOMEWHERE BETWEEN A FIXED COMMITMENT AND A REQUIREMENTS TYPE CONTRACT.
- D. THE ENRICHMENT CHARGE WOULD BE CLOSE TO THE INTERNATIONAL PRICE. (THE JAPANESE ASSUME THIS MEANS THE US PRICE.)
- E. THE TAILS WOULD BE RETURNED TO THE CUSTOMER.
- F. NO GOVERNMENT-TO-GOVERNMENT NOTE WOULD BE NECESSARY SINCE MATTER REGARDED AS BUSINESS TRANSACTION ONLY.

4. STATUS.

A. NO NEXT STEP WAS DECIDED UPON. IT IS ASSUMED BY JAPANESE THAT ANOTHER VISIT WILL BE MADE BY THE SOVIETS AT SOME PRESENTLY UNSPECIFIED TIME.

B. THE JAPANESE (ERG) ARE CONDUCTING (TOKYO 1351) FORECASTS OF THEIR NUCLEAR RESOURCE REQUIREMENTS BASED UPON NEW PROJECTIONS OF ELECTRICAL DEMAND AND NUCLEAR PLANT CONSTRUCTION. THEY ARE ATTEMPTING TO FACTOR INTO THESE FORECASTS THE INFLUENCES OF INFLATION, AVAILABILITY OF CAPITAL AND OTHER ECONOMIC FACTORS. THEY SEE THIS STUDY AS A BUILDING BLOCK WHICH WILL FORM THE BASIS FOR FUTURE MAJOR NUCLEAR POLICY DECISIONS.

5. IMPLICATIONS:

A. NOTWITHSTANDING THE ERG STUDY THERE IS A STRONG WIDE-SPREAD FEELING OF CONCERN THAT JAPAN IS RELYING TOO HEAVILY UPON ONE SOURCE OF SUPPLY OF ENRICHMENT SERVICES. THE CURRENT STATUS OF UEA INCLUDING JAPAN'S UNEASINESS IN CONFIDENTIAL

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REGARD TO HER RELATIONSHIP TO IT IS CERTAINLY A MAJOR FACTOR, BUT REGARDLESS OF THE OUTCOME OF UEA OR THE ERG REPORT, THE JAPANESE BELIEVE, SIMPLY AS A MATTER OF GOOD BUSINESS, THAT THEY MUST DIVERSIFY, OR AT THE VERY LEAST PROVIDE FOR A BACK-UP SOURCE OF ENRICHED URANIUM.

B. AS A FALLOUT BENEFIT, THEY SEE NO HARM IN IMPROVING THEIR RELATIONSHIPS WITH THE USSR. IT WAS EMPHASIZED

THAT THE SOVIETS AND THE JAPANESE HAVE LITTLE EXPERIENCE WORKING WITH EACH OTHER. CONSEQUENTLY, THERE WERE SEVERAL MISUNDERSTANDINGS AND DISCONNECTS AT THEIR MEETINGS BECAUSE OF COMMUNICATIONS PROBLEMS. (APPARENTLY, THE SOVIETS DID NOT EVEN BRING A TRANSLATOR WITH THEM.)

C. ADDITIONALLY, THE JAPANESE MIGHT PREFER A PACKAGE ARRANGEMENT WHICH WOULD INCLUDE EXCHANGE R&D DATA AS WELL AS ENRICHMENT SERVICES. THE SOVIETS SEE THE SALE OF ENRICHMENT SERVICES AS A COMMERCIAL ENTERPRISE TO BE CARRIED OUT WITHIN THE CONTEXT OF A CURRENTLY EXISTING TRADE AGREEMENT. THE JAPANESE UTILITIES ARE EXPECTED TO EVALUATE THE PROSPECTS AND SUGGEST SPECIFIC TERMS WHICH THEY WOULD FIND INTERESTING.

6. AS AN ASSOCIATED SUBJECT, JAIF EXECUTIVE INDICATED HIS ORGANIZATION WAS ASKED BY GOJ TO PROVIDE INDUSTRY CONSENSUS ON RATIFICATION NPT. NUCLEAR INDUSTRY STRONGLY RECOMMENDED RATIFICATION.  
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